

CLYDESDALE HOUSING ASSOCIATION LIMITED

Policy: Rent and Service Charge

Date: 31 August 2022

Lead Officer: Housing Manager

Review Date: 26/04/2025

Regulatory Standards: Standard 3 The RSL manages its resources to ensure its financial well-being, while maintaining rents at a level that tenants can afford to pay.

Guidance 3.1 The RSL has effective financial and treasury management controls and procedures, to achieve the right balance between costs and outcomes, and control costs effectively. The RSL ensures security of assets, the proper use of public and private funds, and access to sufficient liquidity at all times.

3.2 The governing body fully understands the implications of the treasury management strategy it adopts, ensures this is in the best interests of the RSL and that it understands the associated risks.

3.3 The RSL has a robust business planning and control framework and effective systems to monitor and accurately report delivery of its plans. Risks to the delivery of financial plans are identified and managed effectively. The RSL considers sufficiently the financial implications of risks to the delivery of plans.

3.4 The governing body ensures financial forecasts are based on appropriate and reasonable assumptions and information, including information about what tenants can afford to pay and feedback from consultation with tenants on rent increases.

3.5 The RSL monitors, reports on and complies with any covenants it has agreed with funders. The governing body assesses the risks of these not being complied with and takes appropriate action to mitigate and manage them.

3.6 The governing body ensures that employee salaries, benefits and its pension offerings are at a level that is sufficient to ensure the appropriate quality of staff to run the organisation successfully, but which is affordable and not more than is necessary for this purpose.

3.7 The governing body ensures the RSL provides accurate and timely statutory and regulatory financial returns to the Scottish Housing Regulator. The governing body assures itself that it has evidence the data is accurate before signing it off.

Contents

1. Introduction.....	1
2. Rent & Service Charge Policy Objectives.....	1
3. Long Term Financial Viability	2
4. Affordability.....	2
5. Comparability.....	2
6. Rent Structures	3
7. Rent Increases	3
8. Committee Reports.....	4
9. Policy Review.....	5
10. Equality & Diversity	5
Appendix 1 – Rent Structures	6

1. INTRODUCTION

- 1.1** The purpose of this document is to set out the policy of Clydesdale Housing Association in relation to the setting of rents and service charges for the Association's properties.
- 1.2** The Rent & Service Charge Policy will ensure full compliance with regard to the relevant rent and service charge provisions of the 1988 and 2001 Housing (Scotland) Acts, current good practice and guidance from the Scottish Housing Regulator and Scottish Government. This will include using a fair system for apportioning rents and service charges between different properties, consulting tenants, and having regard to their views on proposed rent and service charge increases, and making available to tenants, on request, information about the rents and service charge policy.
- 1.3** The Scottish Social Housing Charter has the following outcome in relation to value for money and rent:
- “tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay”.*
- 1.4** The policy will be agreed by the Committee of Management and will be implemented by the Association's officers until amended by the Committee of Management.

2. RENT & SERVICE CHARGE POLICY OBJECTIVES

- 2.1** The Association's Vision is:
- “Quality homes and excellent services for all – for today and the future”.
- 2.2** The Association's rent and service charge policy objectives derive from the above statement:
- to ensure that the rents meet the Association's anticipated relevant costs in order to provide high quality homes for rent and ensure the long term viability of the Association;
 - to ensure, whenever possible, that rents are affordable for those in low paid employment;
 - to ensure, wherever possible, that rents are comparable with rents of other Registered Social Landlords providing similar accommodation;
 - to ensure compliance with rent increase provisions contained in leasing agreements with other agencies/organisations;
 - to use a fair system for apportioning rents and service charges between different properties;
 - to consult tenants on rent and service charge increases;

- to ensure full compliance with regard to the relevant rents and service charge provisions of the 1988 and 2001 Housing (Scotland) Acts and current guidance issued by the Scottish Housing Regulator and Scottish Government.

2.3 These objectives are explained more fully in the following sections.

3. LONG TERM FINANCIAL VIABILITY

3.1 Ensuring the long term viability of the Association is the first objective of Clydesdale's rent policy.

3.2 The rents set for the Association must ensure that:

- funds are available to meet the Association's anticipated relevant costs such as management and maintenance costs and the servicing of loan repayments;
- funds are available to meet long term major repair costs for such items as windows, external doors, kitchen units and roofs;

3.3 The Association will continually seek to achieve good value for money for the goods and services it purchases – goods and services which are ultimately funded from rental income. In keeping control of overheads the Association will ensure that proposed rent increases are kept to a minimum.

4. AFFORDABILITY

4.1 The second objective of the rent policy is to ensure, wherever possible, that rents are affordable for those in low paid employment.

4.2 The Association recognises that a conflict can arise between setting rents that ensure financial viability and achieving affordable rent levels. The Association will aim to balance both these requirements when reviewing rent levels.

4.3 The Association accepts the Scottish Federation of Housing Associations' (SFHA) measure of affordability as:

"For a rent (including service charges) to be affordable, a household with on person working 35 hours or more should only exceptionally be dependent on Housing Benefit in order to pay it". SFHA's Rent Setting Guidance, January 2010 – (under review).

The Association will however also carry out an informal rent affordability survey of all its tenants during the rent increase consultation period.

5. COMPARABILITY

5.1 The third objective of Clydesdale's rent policy is to ensure, wherever possible, that rents are comparable with those of other Registered Social Landlords providing similar accommodation.

5.2 The objective is not to seek full financial comparability since there will always be non-financial reasons why tenants choose certain houses/estates over broadly similar houses/estates provided by other social landlords.

5.3 In addition, other social landlords have different:

- rent structures;
- forms of funding; and
- strategic objectives.

Therefore, rents will never be fully comparable.

5.4 Nevertheless, the Association will collect available data on rents to allow a benchmark comparison between the various rents charged between local social landlords and social landlords within the Association's peer group.

6. RENT STRUCTURES

6.1 Under the 1988 Housing (Scotland) Act, the Association is required to set its own rent levels. The system devised by the Association seeks to fairly differentiate between different sizes of house, house types, floor level (for flats only), heating type, facilities and house condition. In simple terms, larger houses with more facilities generate a higher rent level. Appendix 1 details how this system operates.

6.2 The system for setting rents as outlined above is used only to set rent levels for new houses. The base rent for the "ideal" 5 apartment house, as detailed in Appendix 1, will be increased annually in line with the Association's approved rent increase.

7. RENT INCREASES

7.1 Clydesdale will consult with tenants and any relevant tenant organisations about proposed increases in rents or service charges. Feedback obtained from tenants will be fully considered before we make our decision. The tenant consultation period will be for a minimum duration of 6 weeks.

7.2 Rent increases will normally take place only once every twelve months, any increase required will normally be implemented from 28 March.

7.3 In accordance with the Association's approach to long term financial planning, rent increase forecasts will be developed and presented at tenant organisation meetings and tenant conferences (where applicable). The Association's medium-term rent increase forecasts will be included in any Service Plans published, subject to annual review.

7.5 Rent increases for the forthcoming year will be set at a Committee meeting which allows for:

- timely production of the forthcoming year's budget;

- analysis of the impact of the proposed increase and alternative increases on the Association's long term financial plans;
- adequate consultation with tenants (as detailed in our Tenant Participation Strategy) and relevant stakeholders (i.e. lenders); and
- dispatch of rent increase notifications to tenants.

7.6 It will be Clydesdale's policy that rent notifications, informing tenants of any increase in their rent, will be sent out as soon as possible but with at least a minimum of four weeks before the beginning of the rental period for which the increase applies.

7.7 Clydesdale now uses the Consumer Price Index (CPI). Annual rent increases are based on the preceding September CPI figure and have regularly included an additional percentage uplift in order to protect the Association's financial viability. However, future rent increases may not always be based on inflation measures and will increasingly be required to take account of the need to balance financial viability and rent affordability for tenants.

7.8 The actual increase will be considered by the Management Committee during the budget setting process. However, all new rents will be based on the rent setting mechanism as outlined in Appendix 1.

8. COMMITTEE REPORTS

8.1 Under the Association's scheme of delegation the annual setting of rent is a function retained by the Management Committee.

8.2 In order that the Management Committee makes an informed decision about any change in rent levels it is critical they are presented with relevant information. Accordingly, the report which accompanies the agenda item should contain the following;

- an option appraisal detailing the financial implication, to the Association, of various rent levels and any long term impact. This will mean an annual budget, projected Income & Expenditure Account, projected Balance Sheet and updated 30-Year Financial Projection;
- where available in a reliable form, some type of affordability measure which would indicate whether the Association's rents continue to be affordable to those on low wages;
- details of tenant feedback obtained via the consultation process regarding the proposed increase;
- data on comparable rent levels charged by similar RSLs;
- a recommendation for the forthcoming year's rent increase.

8.3 The report will be discussed in open Committee and any decision regarding rent increases will be formally approved and Minuted by the full Management Committee.

9. POLICY REVIEW


- 9.1 This policy will remain in place until formally amended and approved by the Management Committee.
- 9.2 Occasions which would require earlier revision might include the following:
- new properties are either purchased or built and an initial rent has to be set;
 - the Association's Rules are amended.

10. EQUALITY & DIVERSITY

- 10.1 Clydesdale Housing Association operates under the overarching duty of a Registered Social Landlord to provide housing accommodation and related services in a manner which encourages equal opportunities and in particular the observance of equal opportunity requirements as specified in the Housing (Scotland) Act 2001 and the Equality Act 2010.
- 10.2 No person or group of persons housed by Clydesdale Housing Association will be treated less favorably than other persons or group of persons because of their age, disability, gender reassignment, marriage or in a civil partnership, pregnancy and maternity, race, religion and belief sex and sexual orientation.
- 10.3 A summary of the main aims of this policy and related literature is available in alternative formats and languages on request.

11. General Data Protection Regulations

- 11.1 The Association will treat any personal or sensitive data in line with our obligations under the current data protection regulations and our own Rent Arrears Policy and Procedures. Information regarding how data will be used and the basis for processing data is provided in Clydesdale Housing Association's Privacy Policy.

Approved by the Committee of Management on: 31st August 2022	
Signed	Signed 
Secretary/Chairperson	Chief Executive/Senior Staff Member

Appendix 1 – Rent Structures

1. RENTS

1.1 Under the 1988 Housing (Scotland) Act the Association is required to set its own rent levels. The Association has opted for a rent setting mechanism comprising three elements:

- Points System;
- Base Rents;
- Rent Setting Formula.

1.2 Points System

A base figure of 100 has been adopted for an "ideal" house in each apartment size, as follows:

Base = 100 = 2apt, 2 person detached house with all amenities
 100 = 3apt, 4 person
 100 = 4apt, 6 person
 100 = 5apt, 8 person

Points are then deducted from this according to the table shown below.

a) Points Deduction Table

<u>Factor</u>	<u>Category</u>	<u>Points Deducted</u>
Bedspace	no. bedrooms as per "ideal"	0
	one bed space less than "ideal"	2
House type	detached	0
	Semi-detached	2
	End-terrace	4
	Mid-terrace	6
	Flat	10
Location (tenement only)	Ground/1st floor	0
	2nd floor	2
Central Heating Type	solid fuel	0
	gas	0
	electric	2
	none	4
Lacking Facilities	no garden	2
	shower only	2
	kitchen area	2
House Condition	modernised	0
	unmodernised	10

1.3 Base Rents

Alongside the points mechanism, a base rent has been set for each of the house sizes 5apt, 4apt, 3apt and 2apt with the following relationships:

5apt	100 points = 100%
4apt	100 points = 95% of 5apt base
3apt	100 points = 90% of 5apt base
2apt	100 points = 85% of 5apt base.

The actual base rent for the "ideal" 5apt house for 2018/19 is £4,978.

1.4 Service Charges

Service charge income will fund such services as landscape maintenance, communal repairs, landlord power supply, and the garden maintenance scheme. The costs of these will be charged retrospectively based on the previous year's expenditure with the exception of landscape maintenance. This will be charged in advance. The combined expenditure is then split equally across all tenants.

Sharing owners are charged a proportion of these costs based on their individual share as determined by the Deed of Conditions.

1.5 Rent Setting Formula

Using the base rent and the points mechanism in the following formula the rent for a property is thus calculated:

$$\text{Rent} = (\text{percentage of 5apt base}) \times \frac{(100 - \text{points deducted})}{100}$$

2. Leased Properties

2.1 Rent levels for leased properties will be based on the rent setting mechanism detailed under 1 above.

2.2 Where the cost of maintaining or managing the leased property is anticipated to be at levels exceeding normal tenanted properties, the Association will calculate a value for these additional costs and add them to the figure calculated by the rent setting mechanism.